

August 31, 2007

Commissioner Joe Brenneman, Chairman
Commissioner Gary Hall
Commissioner Dale Lauman

Re: FY 2007/2008 Flathead County Budget Message

Dear Commissioners:

The Fiscal Year 2007/2008 Flathead County (County) Budget has been compiled for presentation at the public hearing scheduled for September 6, 2007. I would like to express appreciation to Finance Director Laurel Raymond and Clerk/Recorder Paula Robinson for their hard work and effort in facilitating the budget process. I would like to thank each of our department heads, elected officials and support staff for their good work in preparing the individual budgets and meeting with us over the past several months to provide the information requested.

In regard to total revenue (balances, tax and non-tax) and expenditure dollar numbers for the proposed budget which provides the total big picture look, we are starting the year with a projected beginning balance of \$38.5 million, a total revenue projection of \$62.2 million, a total expenditure projection of \$60.0 million and a projected ending balance of \$40.6 million.

The County is continuing to concentrate on improving our cash balance situation and we are close to having achieved our goal to build adequate balances in each of our funds. Our largest source of revenue comes from property taxes that are collected two months out of the year, so we need adequate balances to operate with. We should be in pretty good shape the next fiscal year and then we can move ahead with maintaining those healthy cash balance levels and not have to continue building them up.

The budget includes significant funding for our Capital Improvement Program (CIP) totaling \$5,037,534 this year. The details of this funding commitment are included in the CIP document (see County website) that we completed last year. The Commissioners and our management team all committed to follow the completed and approved CIP in the budgeting process, which we did. One item not included in the CIP document is the energy performance contract the County recently approved to replace about \$3 million of heating, cooling, and other energy related equipment in our multiple facilities. The up front expense is covered by a loan with repayment coming from utility savings dollars. This program provides zero impact to the budget.

The County has 497 full-time employees plus many seasonal and temporary workers. So our personnel costs represent a major portion of the total County budget. We continue to experience quite a bit of turnover and it is difficult to find qualified applicants for some of our positions due to the local labor market. We did provide additional wage increases

for a good number of our personnel last year in addition to the cost of living increases and that provided relief to some departments in turnover numbers.

There were a number of requests from department heads and officials for additional personnel (11.35 FTE). We have been trying to limit the number of requests for additional personnel to keep our overall costs under control the past three years in particular. The Commissioners recommended the addition of 8.35 FTE with some of that number being subject to various conditions (phasing in over time, improvement in retention and cutting expenditures elsewhere in the departmental budgets). Included were 4 additional deputies, 1 county attorney position, 1 clerk of court position, 0.50 FTE justice court position, 1.25 FTE library position, and 0.60 FTE finance position. Most of the funding for these new positions does come from property taxes and not other non-tax revenues.

The impact to taxpayers is probably the most important part of this budget message. We are presenting a budget with a 3.44% increase in total mill levy. The proposed tax levy is 142.39 mills compared to 137.66 mills last year or a 4.736 mill increase. The value of a mill is now at \$193,906. The proposed mill levy basically allows us to fund the cost of living increases for personnel expenditures and all our business overhead that continues to include the high price of gas, oil products and utilities. One other exception to the rule is inclusion of a 3 mill amount which is a recapture of mills not used in past years when the county did not levy the maximum mills allowed in the general fund. This is a one time mill levy that will drop off next budget year. The use of these funds will be for an administration building project in the future.

With the continued growth we are experiencing in the County, we are seeing a higher increase of 11.66% in actual tax dollars collected with the proposed levy compared to an 11.75% increase last year. The new growth is providing about the same impact to our overall budget as last year. This new tax revenue assists in funding a part of the capital improvement budget items, the new personnel added to provide services and cost increases that exceed the basic cost of living expenses funded by the previously established taxable valuations. This new tax revenue will also allow us to continue our efforts to build our cash reserves to keep our operational budgets at an adequate level. The impact to the property taxpayer with a \$150,000 market value home would be an additional \$14.56 for the County's portion of the property tax bill for the year compared to a \$15.98 last year.

Again, I appreciate the work of all those involved in the budget process and wish you all the best in your final FY 2007/2008 budget deliberations.

Respectfully submitted,

Mike Pence, Flathead County Administrator

Cc: Flathead County Elected Officials and Department Heads